



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of

No. D 07-125

Stephen K. Brombach,
d.b.a. Integrity Group Insurance &
Financial Services

ORDER REVOKING LICENSE

Licensee.

To: Stephen K. Brombach, LUTCF
d.b.a. Integrity Group Insurance & Financial Services
1620 Third Street
Marysville, Washington 98270

IT IS ORDERED AND YOU ARE HEREBY NOTIFIED that your license is **REVOKED**, effective April 22, 2007, pursuant to RCW 48.17.530 and RCW 48.17.540(2).

THIS ORDER IS BASED ON THE FOLLOWING:

A. Complaint concerning Janell, George, and Dawn Swimm

The Office of the Insurance Commissioner (herein "OIC") received a written complaint from Dawn M. Swimm, on behalf of her mother, Janell D. Swimm, alleging wrongdoing on the part of Stephen K. Brombach, investigation into which resulted in this Order. Mr. Brombach holds a resident insurance agent's license issued by the OIC that authorizes him to solicit life, disability, property and casualty insurance. The OIC's investigation into the Swimms' complaint revealed violations of the Revised Code of Washington and grounds to revoke Mr. Brombach's license, as follows:

1. On June 11, 2004, Janell Swimm and her husband, George Swimm, invested \$250,000 of their savings after consulting with Mr. Brombach, d.b.a. Integrity Group Insurance & Financial Services (herein "Integrity Group"). Mr. Brombach acted as the Swimms' investment advisor at the time. Mr. Brombach induced the Swimms to invest \$150,000 in a Penn Mutual annuity, and \$100,000 in a purported "REIT." Mr. Brombach induced the Swimms to invest their \$250,000, and keep it "invested," by making numerous representations:

- a. that transferring \$100,000 to a REIT and \$150,000 to an annuity could result in a 2-3% higher rate of return.
- b. that as of July 1, 2004, the REIT was yielding 5.75% interest, had accrued \$238.52 in interest, and contained a post-distribution balance of \$99,238.52.

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- c. that as of August 1, 2004, the REIT was yielding 5.75% interest, had accrued \$475.52 in interest during July 2004, and contained a post-distribution balance of \$98,514.04.¹
- d. that as of September 1, 2004, the REIT was yielding 5.75% interest, had accrued \$472.18 in interest during August 2004, and contained a post-distribution balance of \$97,786.22.
- e. that as of December 1, 2004, the REIT was yielding 5.75% interest, had accrued \$461.22 in interest during November 2004, and contained a post-distribution balance of \$94,715.82.
- f. that as of March 8, 2006, the REIT was "presently paying" 5.62% interest, had accrued \$4,862.24 in "gains for 2005," and contained a post-distribution balance of \$72,693.28.
- g. that as of July 3, 2006, the REIT was "presently paying" 5.75% interest, had accrued \$16,072.26 in "Total Gains (since inception)," and contained a post-distribution balance of \$65,672.26.
- h. that as of September 3, 2006, the REIT was "presently paying" 5.75% interest, had accrued \$16,664.27 in "Total Gains (since inception)," and contained a post-distribution balance of \$63,864.27.

2. On September 19, 2006, George Swimm died. Janell Swimm contacted Mr. Brombach to request emergency funds for Mr. Swimm's funeral and burial. Mr. Brombach replied by suggesting that "someone put it on a credit card" while he "looked into things." He promised to call Janell back in a day or two. When he did, he said it would take "about a month" to secure the funds from the annuities account. He also said he had applied for less than the requested amount. Janell Swimm became distressed and asked her daughter, Dawn Swimm to take the call. Dawn asked Mr. Brombach why he changed the amount her mother had asked for, and Mr. Brombach replied that "standard" funeral and burial expenses were \$10,000 and that if they needed more, the Swimms had "paid too much." Mr. Brombach told Dawn it would take 1-2 months to acquire the funds from the annuity account. She asked him why the funds were not secured from the REIT if that were the case, and Mr. Brombach replied that it was "complicated" and would take longer to access REIT funds. He told Dawn it should only be "a week or so" to obtain the funds from the annuity "if he rushed things." Dawn asked Mr. Brombach for information on the REIT account, but Mr. Brombach was not forthcoming with information on the REIT. He said "it is complicated."

¹ A "Financial Profile" Brombach gave the Swimms purported to provide a "breakdown of where the Swimm's [sic] assets are positioned" as of "August 1, 2004." This Financial Profile stated that the "REIT Balance, as of 7/1/04 [sic]" was \$98,514.04.

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3. On September 28, 2006, Dawn and Janell Swimm arrived at Mr. Brombach's office to gain information about Janell's financial status and the condition of what was in her accounts invested with Mr. Brombach and the Integrity Group. Mr. Brombach answered some of the Swimm's questions about the Penn Mutual annuity account, but when he was asked about the REIT account since the time of the Swimm's investment, Mr. Brombach was evasive. He replied by asking Dawn if she was "in the business." Dawn said no, and Mr. Brombach said "well, I am not sure why you are asking, your father always trusted me to handle things." Dawn then repeated her request for information about the REIT, and in reply, Mr. Brombach made the following statements:

- a. he repeatedly told Dawn he was a "nice guy."
- b. he said he often "took a loss to help people."
- c. he said he could not understand why the conversation needed "to be so serious."
- d. he told Janell that Dawn was being "intimidating."
- e. he told Dawn that "Janell likely trusts me just like George did, there is no need to waste time on complicated explanations."

After receiving no substantive information from Mr. Brombach about the REIT, Dawn asked Mr. Brombach to explain the steps to cash out the REIT account. Mr. Brombach said "it would be complicated," but that if Janell wished to step away from this money-making product, the funds could be withdrawn some period of time later for a \$325 fee.

4. On October 3, 2006, Janell Swimm received a telephone call from a Penn Mutual agent, Mr. Johnson, who indicated that he was now handling her Penn Mutual annuity account and that Mr. Brombach was no longer associated with Penn Mutual. Mr. Johnson had received no information about her needs or prior requests for emergency funds, and he told her that she needed to personally call in such requests. He also advised her that she needed to file paperwork for change of ownership of the account.

5. On October 7, 2006, Dawn and Janell Swimm provided Mr. Brombach with a letter confirming their request to pursue a lump sum payout of the REIT. Mr. Brombach did not respond to their letter, nor did he respond to their contemporaneous voice mail message making the same request.

6. On October 13, 2006, Dawn and Janell Swimm provided Mr. Brombach with another letter confirming their request to pursue a lump sum payout of the REIT. This correspondence asked Mr. Brombach to resolve the matter by October 13, 2006. Mr. Brombach did not respond to this letter. Around the time this letter was sent, Mr. Brombach's office telephone number stopped picking up.

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7. During the weeks following October 13, 2006, the Swimms tried calling Mr. Brombach's office telephone number 4 to 8 times a week. There was never a pick-up. The Swimms asked friends and neighbors to drive by his office to see if Mr. Brombach was in. They reported that the office looked abandoned.

8. On November 17, 2006, Mr. Brombach called Janell Swimm and left her a voice mail message. He said he "was hitting a brick wall," that it "would take another 10 days," and that he was "working on it." In response to this message, Dawn Swimm provided Mr. Brombach with a facsimile asking Mr. Brombach to produce Janell Swimm's monies by November 21, 2006 or a complaint would be filed with OIC. By November 21, 2006, Mr. Brombach had not responded.

9. On December 1, 2006, Mr. Brombach called Janell Swimm and told her there was nothing he could do to get her money. After Janell relayed this to Dawn, Dawn called Mr. Brombach back. Mr. Brombach said he was "sorry," was "having no luck," and "just don't know what to do." She asked why it was "complicated" to provide the money, and he said "I don't know, it was going OK for so long, and now its not." He told Dawn "the best thing for your mom to do is to file bankruptcy." Dawn rejected his suggestion, and he replied "maybe I should just sell my business" and "make it right with your mother." Dawn asked how long that would take and he said "I don't know how long it will take" and "did you know my wife has MS?" Dawn again asked Mr. Brombach for information about her mother's money and Mr. Brombach replied that he was "a really good person" who "always lost money just to help others" and "was trying to do good for people." Dawn told Mr. Brombach that she felt she had no other option than to pursue him through governing agencies or litigation. Mr. Brombach replied "that would not be a good idea and would just cause more problems." Dawn asked him for a plan to return the money and he replied that he would "call you and your mom next week and let you know what is happening." Mr. Brombach did not call back.

10. On December 18, 2006, the Swimms filed a complaint with the OIC.

11. On December 26, 2006, the OIC's Thomas H. Talarico mailed Mr. Brombach a letter requesting that he answer questions about the Penn Mutual annuity and the REIT. The letter requested a response by January 12, 2007. Mr. Brombach failed to respond.

12. On January 17, 2007, Mr. Talarico mailed Mr. Brombach another letter enclosing the December 26, 2006 letter and requesting Mr. Brombach to provide a response by January 31, 2007. Mr. Brombach failed to respond.

13. On January 31, 2007, Mr. Talarico mailed Mr. Brombach a final letter again requesting Mr. Brombach to provide a response by February 9, 2007. The letter advised Mr. Brombach that his failure to respond places his insurance license in jeopardy of being revoked. Mr. Brombach failed to respond.

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14. On February 27, 2007, Penn Mutual Life insurance Company requested that OIC terminate Mr. Brombach's appointment as an agent. This request was based on Penn Mutual's previous letter to Mr. Brombach, advising that Penn was terminating him as an agent "for cause" because he had been "representing to a client that his funds were invested in a registered REIT when in fact, no such REIT existed."

15. To date, OIC is unaware of any evidence that the REIT Mr. Brombach claims existed ever existed, the Swimms have received back no portion of their \$100,000 from Mr. Brombach, and Mr. Brombach has failed to respond to repeated requests for information regarding the same from both the Swimms and from OIC.

Based on the foregoing, Mr. Brombach's license should be revoked because (1) Mr. Brombach violated RCW 48.17.530(1)(h) by having shown himself to be, and is so deemed by the Commissioner, incompetent, untrustworthy, and a source of injury and loss to the public; and (2) Mr. Brombach violated RCW 48.17.475 by failing to respond to OIC's repeated inquiries regarding complaints filed against him.

B. Complaint concerning Marvin and Julie Sanders

The OIC received a written complaint from Marvin (herein "Marv") and Julie Sanders alleging wrongdoing on the part of Mr. Brombach, investigation into revealed violations of the Revised Code of Washington and grounds to revoke Mr. Brombach's license based on the following:

1. After Marv Sanders' mother, Martha Elaine Sanders, died in approximately November of 2005, Marv and his wife, Julie Sanders received a check from Mr. Brombach's Integrity Group as an inheritance. After they received this check, Mr. Brombach called the Sanders multiple times to see if he could help them invest their inheritance money.

2. On the evening of March 2, 2006, the Sanders met with Mr. Brombach. They met to allow Mr. Brombach to review the Sanders' retirement portfolio to see where they should invest some of their money. Mr. Brombach told the Sanders that he would review the Sanders' finances and then call them back to arrange a follow up meeting. He told them that until they met again, he had an account that they could put their money into that earned higher interest than their regular savings account. The Sanders told Mr. Brombach that they were shopping for a camper, and that they would need to access their money as soon as they found one. Mr. Brombach told the Sanders that would not be a problem, and that he could get their money out in a day or two if needed. Based on his representations, that night, the Sanders wrote Mr. Brombach a check for \$35,000. No follow up meeting ever occurred.

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3. During the Summer of 2006, the Sanders began to worry about their money. They thought they would have received a monthly or quarterly statement, but did not. Marv's sisters also had started to have problems with Mr. Brombach and getting their money. Marv's sister Sally said her husband had to hound Mr. Brombach for 2 months before they received their invested money.

4. In July 2006, Julie Sanders dropped by Mr. Brombach's office and asked for their money in full and the Sanders' retirement account. Mr. Brombach replied that he could not say how much interest had accrued and he did not have the portfolio there. Mr. Brombach's office staff looked for it but could not find it. Mr. Brombach then told Julie Sanders he knew where it was and would return it to them, but that he had a meeting coming in then and did not have time.

5. On August 3, 2006 Julie Sanders telephoned Mr. Brombach's office and left him a message that she would be in on Friday to pick up the check and portfolio. Mr. Brombach called back and left a message saying that would be impossible. Julie called him back the next day and left him a message asking when it would be ready for pick up. In her message, Julie told Mr. Brombach he could leave her a detailed message if need be. Mr. Brombach called back on August 8, 2006 and promised to call back the next day. He failed to call on August 9, 2006.

6. On August 25, 2006, Julie Sanders got through to Mr. Brombach by telephone. She asked where the Sanders' money is, what type of account it is in, what the account number is, what company it is with, and what number she could call to get it. Mr. Brombach replied that he did not know why she seemed to be upset with him. He told her that he had never cheated anyone and has done nothing but good for all his customers. Julie told Mr. Brombach that her sisters-in-law also had trouble getting information, their mom's account information, and their money from him. Mr. Brombach became angry. He replied that they got all they requested.

7. On August 28, 2006 Mr. Brombach called Julie Sanders and left her another message promising to call back later about their retirement account. He did not call back. The Sanders did not hear from Mr. Brombach until they received a "Financial Summary" from the Integrity Group dated September 15, 2006. The summary provided no account number, institution name, or other account description for the Sanders' \$35,000. This summary stated that "Marvin and Julie Sanders hold an interest baring [sic] account" containing \$36,083.46. The summary stated "[t]he Sanders have asked that this account be closed and all proceeds are to be wired into their personal checking account. The request has been entered and should be completed in the month of September 2006." This did not occur.

8. On September 29, 2006, Mr. Brombach left a voice mail message on the Sanders' home phone. The Sanders called Mr. Brombach back and left a message asking where their money is. That was the last day Mr. Brombach's answering machine came on. In the

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weeks that followed, the Sanders called Mr. Brombach's telephone number every day and drove by his office 5 to 7 times a week. No one was ever at his office and all calls went unanswered.

9. On November 7, 2006, the Sanders filed a complaint with OIC.

10. On November 9, 2006, the OIC's Cheryl Penn mailed Mr. Brombach a letter asking him to respond to questions about the \$35,000 "investment" and "financial summary." The letter asked for a response by December 7, 2006. Mr. Brombach failed to respond.

11. On January 9, 2007, Ms. Penn mailed Mr. Brombach a second letter enclosing a copy of the November 9, 2006 letter. This second letter requested a response by February 1, 2007. Mr. Brombach failed to respond.

12. On February 6, 2007, Ms. Penn mailed Mr. Brombach a third and final letter requesting a response to earlier letters by February 23, 2007. Mr. Brombach failed to respond.

13. To date, the Sanders have received back no portion of their \$35,000 from Mr. Brombach, and Mr. Brombach has failed to respond to repeated requests for information regarding the same from both the Sanders and from OIC.

Based on the foregoing, Mr. Brombach's license should be revoked because (1) Mr. Brombach violated RCW 48.17.530(1) (h) by having shown himself to be, and is so deemed by the Commissioner, incompetent, untrustworthy, and a source of injury and loss to the public; and (2) Mr. Brombach violated RCW 48.17.475 by failing to respond to OIC's repeated inquiries regarding complaints filed against him.

C. Order

By reason of your conduct, you have shown yourself to be and are so deemed by the Commissioner, incompetent, and untrustworthy, and a source of injury and loss to the public and not qualified to be an insurance agent in the State of Washington. You have also failed to respond to complaints to the OIC. Accordingly, your license is revoked pursuant to RCW 48.17.530(1) (f), and (h).

IT IS FURTHER ORDERED that you return your insurance agent's license certificate to the Commissioner on or before the effective date of the revocation of your license, as required by RCW 48.17.530(4).

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NOTICE CONCERNING YOUR RIGHT TO A HEARING. Please note that a detailed summary of your right to contest this Order is attached. Briefly, if you are aggrieved by this Order, RCW 48.04.010 permits you to demand a hearing. Pursuant to that statute and others: You must demand a hearing, in writing, within 90 days after the date of this Order, which is the day it was mailed to you, or you will waive your right to a hearing. Your demand for a hearing must specify briefly the reasons why you think this Order should be changed. If your demand for a hearing is received by the Commissioner before the effective date of the revocation, then the revocation will be stayed (postponed) pending the hearing, pursuant to RCW 48.04.020. Upon receipt of your demand for hearing, you will be contacted by an assistant of the Chief Hearing Officer to schedule a teleconference with you and the Insurance Commissioner's Office to discuss the hearing and the procedures to be followed.

Please send any demand for hearing to Insurance Commissioner, attn John F. Hamje, Deputy Insurance Commissioner, Consumer Protection Division, Office of the Insurance Commissioner, P.O. Box 40257, Olympia, WA 98504-0257.

ENTERED AT TUMWATER, WASHINGTON, this 2nd day of April, 2007

MIKE KREIDLER
Insurance Commissioner

By


JOHN F. HAMJE
Deputy Insurance Commissioner
Consumer Protection Division

Investigators: Tom Talarico
Cheryl Penn

DECLARATION OF MAILING

I certify under penalty of perjury under the laws of the State of Washington that on the date listed below, I mailed or caused delivery of a true copy of this document to **Stephen K. Brombach & d.b.a Integrity Group Insurance & Financial Services.**

Dated: April 2, 2007
At Tumwater, Washington


Victoria Estrada

NOTICE OF YOUR RIGHT TO A HEARING

You have the right to demand a hearing to contest this Order. During this hearing, you can present your argument that the Order should not have been entered for legal and/or factual reasons and/or to explain the circumstances surrounding the activities which are the subject of this Order. You may be represented by an attorney if you wish, although in some hearings before this agency parties do choose to represent themselves without an attorney.

Your Demand for Hearing should be sent to John F. Hamje, Deputy Insurance Commissioner, Office of the Insurance Commissioner, P.O. Box 40257, Olympia, WA 98504-0257, and must briefly state how you are harmed by this Order and why you disagree with it. You will then be notified both by telephone and in writing of the time and place of your hearing. If you have questions concerning filing a Demand for Hearing or the hearing process, please telephone the Hearings Unit, Office of the Insurance Commissioner, at 360/725-7002.

Your Demand for Hearing must be made within 90 days after the date of this Order, which is the date of mailing, or your Demand will be invalid and this Order will stand. If your Demand for Hearing is received before the effective date of this Order, the penalties contained in the Order will be stayed (postponed) until after your hearing.

It is important to know that if you demand a hearing, you will have two options for how it will be handled:

Option 1: Unless you specifically request Option 2, your hearing will be presided over by an administrative law judge from the Office of the Insurance Commissioner. Under this option, upon receipt of your Demand for Hearing, the Insurance Commissioner may refer the case to an administrative law judge. The administrative law judge is an individual who has not had any involvement with this case. The administrative law judge will hear and make the final decision in the case without any communication, input or review by the Insurance Commissioner or staff or any other individual who has knowledge of the case. This administrative law judge's final decision may uphold or reverse the Commissioner's action or may instead impose any penalties which are less than those contained in the Order.

Option 2: If you elect, your hearing will be presided over by an administrative law judge from the Office of Administrative Hearings. That administrative law judge will issue an initial or recommended decision which will then be sent to the Insurance Commissioner. The Insurance Commissioner, or his designee, will review the initial decision and make the final decision. The Insurance Commissioner's final decision in the case may uphold, reverse or modify the initial decision, thereby changing the penalty which is recommended in the initial decision. In writing the final decision, the Insurance Commissioner is not bound by the findings of facts or conclusions of law which were made in the initial decision.